



KANNALAND

MUNICIPALITY

[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2020

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

Legal Form: Category B Local Authority

Legislation: The most important legislation governing Kannaland Municipality in terms of financial operations are:
Constitution of the Republic of South Africa, 1996 and regulations;
Municipal Finance Management Act, (MFMA) 2003 (Act No. 56 of 2003) and regulations issued in terms of the Act;
Annual Division of Revenue Act, (DORA) 2018 (Act No. 2 of 2018);
Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005);
Municipal Structures Act, 1998 (Act No. 117 of 1998) and regulations issued in terms of the Act;
Municipal Systems Act, 2000 (Act. No. 32 of 2000) and regulations issued in terms of the Act;
Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the regulations issued in terms of the Act;
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations issued in terms of the Act;
Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and regulations issued in terms of the Act; and
Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)

This list is however not exhausted.

Principal activities: The major principal activities that the Municipality render within its jurisdiction area include:
The provision and maintenance of Amenities, such as ablution, recreational, hall facilities; Building control services; Cemeteries; Disaster management; Electricity supply services; Environmental Pollution control and Management; Fires services and prevention; Library services; Law enforcement services, including vehicle and driver registration and traffic services; Creation and maintenance of Parking areas; Refuse Removal services; Social and Economical development; Spatial planning; Street and Storm water services; Street cleaning and Street lighting; Creation, operating and maintaining of Sport facilities; Tourism promotion; Waste water treatment services and Water supply services.

Area of Jurisdiction: Kannaland Municipality includes the following areas.
Calitzdorp
Ladismith
Van Wyksdorp
Zoar

Demarcation code: WC041

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GENERAL INFORMATION

Mayoral Committee:

Executive Mayor Ms M Barry

Deputy Executive Mayor Mr PJ Antonie

Speaker Ms A Theron

Ward Councillors:

Ward 1 - Ald J Donson
Ward 2 - Cllr WP Meshoa
Ward 3 - Cllr M Barry
Ward 4 - Cllr A Theron

Proportional Representative

Clr PJ Antonie

Councillors:

Clr HD Ruiters

Clr J Johnson

Auditors: Auditor General of South Africa

Private Bag X1

CHEMPET

7442

Municipal Manager: Mr R Stevens

Chief Financial Officer: Mr R Butler

Registered Office: 32 Church Street
LADISMITH
6655

Postal address: PO Box 30
LADISMITH
6655

Telephone: (028) 551 8000

Facsimile: (028) 551 1766

Website: www.kannaland.gov.za

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 JUNE 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 80, which have been prepared on the going concern basis, were approved by the accounting officer and signed accordingly by:

Mr R Stevens
ACCOUNTING OFFICER
Date: _____

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		260,168,484	251,004,758
Accumulated Surplus/(Deficit)		260,168,484	251,004,758
Non-Current Liabilities		28,423,841	27,376,863
Long-term Liabilities	2	872,126	1,435,100
Employee Benefits	3	9,782,001	11,195,274
Non-Current Provisions	4	17,769,714	14,746,489
Current Liabilities		98,405,381	70,163,764
Consumer Deposits	5	1,020,834	964,206
Current Employee benefits	6	6,270,182	5,921,539
Payables from exchange transactions	8	60,120,470	47,933,362
Unspent Conditional Government Grants and Receipts	9	27,393,206	14,831,073
Taxes	10	3,014,743	-
Operating Lease Liability	18.2	12,927	8,027
Current Portion of Long-term Liabilities	2	573,019	505,557
Total Net Assets and Liabilities		386,997,706	348,545,385
ASSETS			
Non-Current Assets		334,416,800	327,334,855
Property, Plant and Equipment	11	333,014,048	325,797,475
Investment Property	12	1,364,483	1,488,659
Intangible Assets	13	38,269	48,721
Current Assets		52,580,906	21,210,530
Inventory	14	2,901,239	2,024,977
Receivables from exchange transactions	15	4,008,412	2,718,174
Receivables from non-exchange transactions	16	3,124,433	2,560,490
Operating Lease Asset	18.1	59,289	51,308
Taxes	10	-	2,224,347
Cash and Cash Equivalents	18	42,487,533	11,631,234
Total Assets		386,997,706	348,545,385

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 (Actual) R	2019 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		88,272,964	82,042,103
Taxation Revenue		16,753,467	16,271,389
Property Rates	19	16,753,467	16,271,389
Transfer Revenue		61,672,932	58,375,461
Government Grants and Subsidies-Operational	20	39,943,362	40,031,721
Government Grants and Subsidies-Capital		21,729,570	18,343,740
Other Revenue		9,846,565	7,395,253
Fines, Penalties and Forfeits		6,637,278	6,020,989
Interest Earned - non exchange transactions		3,209,287	1,183,267
Contributed Property, Plant and Equipment		-	190,997
Revenue from Exchange Transactions		89,991,043	76,191,449
Service Charges	21	85,959,382	69,666,652
Rental from Fixed Assets		528,462	516,497
Interest Earned - external investments		1,013,609	732,342
Interest Earned - outstanding receivables		20,474	3,653,104
Licences and Permits		164,345	172,889
Agency and Collection Services		957,945	1,053,323
Operational Revenue		17,037	15,322
Sales of Goods and Rendering of Services		1,329,789	381,320
Total Revenue		178,264,007	158,233,552
EXPENDITURE			
Employee related costs	22	58,319,943	55,505,467
Remuneration of Councillors	23	3,417,034	3,323,290
Bad Debts Written -off		4,905,419	8,575,107
Depreciation and Amortisation	25	13,130,023	13,409,125
Inventory Consumed	31	1,999,644	1,360,328
Finance Costs	27	5,266,961	(2,866,091)
Bulk Purchases	28	40,766,711	34,897,575
Contracted Services	29	11,796,456	14,065,481
Operational Costs	30	7,038,548	7,912,589
Operating Leases		483,302	558,970
Transfers and Subsidies	32	96,240	405,612
Total Expenditure		147,220,281	137,147,453
Operating Surplus		31,043,726	21,086,099
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		-	(49,756)
Impairment Loss/(Reversal of Impairment Loss) on Receivables	24	(21,754,069)	(8,810,385)
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	26	(100,997)	(512,443)
Gains/(Loss) on Sale of Fixed Assets		(24,934)	(147,678)
NET SURPLUS/(DEFICIT) FOR THE YEAR		9,163,726	11,565,837

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Accumulated Surplus/ (Deficit)	Total
		R	R
Balance as at 1 JULY 2018		239,488,801	239,488,801
Correction of error	33	(49,880)	(49,880)
Restated Balance as at 1 JULY 2018		239,438,921	239,438,921
Net Surplus for the year	33	11,565,837	11,565,837
Balance as at 30 JUNE 2019		251,004,758	251,004,758
Net Surplus for the year		9,163,726	9,163,726
Balance as at 30 JUNE 2020		260,168,484	260,168,484

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		93,978,548	87,804,660
Government		74,235,066	59,946,669
Interest		4,243,370	5,568,713
Payments			
Suppliers and employees		(115,460,697)	(127,693,370)
Finance charges	27	(5,266,961)	2,866,091
Transfers and Grants	32	(96,240)	(405,612)
Cash generated by operations	34	51,633,086	28,087,151
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(20,337,903)	(17,563,397)
Net Cash from Investing Activities		(20,337,903)	(17,563,397)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(495,512)	(452,182)
Increase in Consumer Deposits		56,628	10,949
Net Cash from Financing Activities		(438,884)	(441,233)
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,856,299	10,082,521
Cash and Cash Equivalents at the beginning of the year		11,631,234	1,548,713
Cash and Cash Equivalents at the end of the year	35	42,487,533	11,631,234
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,856,299	10,082,521

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	Explanations for material variances (Amounts over/above R1.5 million)
ASSETS				
Current assets				
Cash	42,487,533	560,000	41,927,533	
Consumer debtors	7,132,845	62,964,176	(55,831,331)	
Other Receivables	59,289	-	59,289	
Inventory	2,901,239	-	2,901,239	
Total current assets	52,580,906	63,524,176	(10,943,270)	Variances are due to incorrect use of contra items on the statement of financial position while performing the budget.
Non current assets				
Investment	-	-	-	
Investment property	1,364,483	-	1,364,483	
Property, plant and equipment	333,014,048	347,815,398	(14,801,350)	
Intangible Assets	38,269	-	38,269	
Total non current assets	334,416,800	347,815,398	(13,398,598)	
TOTAL ASSETS	386,997,706	411,339,574	(24,341,868)	
LIABILITIES				
Current liabilities				
Borrowing	573,019	512,000	61,019	
Consumer deposits	1,020,834	-	1,020,834	
Trade and other payables	87,513,676	43,515,756	43,997,920	
Operating Leases	12,927	-	12,927	
Provisions and Employee Benefits	6,270,182	-	6,270,182	
Total current liabilities	95,390,638	44,027,756	51,362,882	
Non current liabilities				
Borrowing	872,126	1,803,082	(930,956)	
Provisions and Employee Benefits	27,551,715	36,048,000	(8,496,285)	
Total non current liabilities	28,423,841	37,851,082	(9,427,241)	
TOTAL LIABILITIES	123,814,479	81,878,838	41,935,641	
NET ASSETS	263,183,227	329,460,736	(66,277,509)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	260,168,484	47,137,174	213,031,310	
TOTAL COMMUNITY WEALTH/EQUITY	260,168,484	47,137,174	213,031,310	

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020	2020	2020	
	R	R	R	
	(Original Budget)	(Adjustments)	(Final Budget)	
ASSETS				
Current assets				No adjustments were made to the original budget.
Cash	560,000	-	560,000	
Call investment deposits	950,000	-	950,000	
Consumer debtors	62,964,176	-	62,964,176	
Other Receivables	-	-	-	
Current portion of long-term receivables	-	-	-	
Inventory	-	-	-	
Total current assets	64,474,176	-	64,474,176	
Non current assets				
Investments	-	-	-	
Investment property	-	-	-	
Property, plant and equipment	347,815,398	-	347,815,398	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	347,815,398	-	347,815,398	
TOTAL ASSETS	412,289,574	-	412,289,574	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	512,000	-	512,000	
Consumer deposits	-	-	-	
Trade and other payables	43,515,756	-	43,515,756	
Provisions and Employee Benefits	-	-	-	
Total current liabilities	44,027,756	-	44,027,756	
Non current liabilities				
Borrowing	1,803,082	-	1,803,082	
Provisions and Employee Benefits	36,048,000	-	36,048,000	
Total non current liabilities	37,851,082	-	37,851,082	
TOTAL LIABILITIES	81,878,838	-	81,878,838	
NET ASSETS	330,410,736	-	330,410,736	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	47,137,174	-	47,137,174	
TOTAL COMMUNITY WEALTH/EQUITY	47,137,174	-	47,137,174	

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	% (Variance)	Explanations for material adjustments (Amounts above or below 10%)
REVENUE BY SOURCE					
Property rates	16,753,467	23,629,496	(6,876,029)	(29.1%)	Council allowed for a rebate which was not in the budget.
Service charges	85,959,382	71,637,568	14,321,814	20.0%	Budget was based on historic figures while current year revenue increased.
Rental of facilities and equipment	528,462	470,500	57,962	12.3%	Budget was based on historic figures while current year revenue increased.
Interest earned - external investments	1,013,609	793,870	219,739	27.7%	External investments increased as the grants could not be spent as a result of the national lockdown period. Interest earned on investment increased likewise.
Interest earned - outstanding debtors	3,229,761	5,146,920	(1,917,159)	(37.2%)	Due to an instruction from National Treasury the levying of interest on service accounts was stopped so not to penalise the public during the national lockdown period.
Fines, Penalties and Forfeits	6,637,278	8,480,300	(1,843,022)	(21.7%)	Budget was based on historic figures while current year traffic fines issued decreased. Also the use of iForce for camera fines was discontinued at the end of March 2020.
Licences and permits	164,345	169,500	(5,155)	(3.0%)	
Agency and collection services	957,945	1,220,000	(262,055)	(21.5%)	Budget was based on historic figures while current year revenue decreased.
Government Grants and Subsidies	39,943,362	39,652,160	291,202	0.7%	
Other revenue	1,346,826	323,900	1,022,926	315.8%	These figures correlate to building and other activities and thus linked to the performance of the local economy.
Total Operating Revenue	156,534,437	151,524,214	5,010,223		
EXPENDITURE BY TYPE					
Employee related costs	58,319,943	55,171,654	3,148,289	5.7%	
Remuneration of councillors	3,417,034	3,130,650	286,384	9.1%	
Bad debts	4,905,419	14,183,000	(9,277,581)	(65.4%)	Budget was based on historic figures while current year revenue decreased.
Depreciation & asset impairment	13,130,023	10,660,845	2,469,178	23.2%	Due to an increase in infrastructure and other assets, depreciation increased.
Finance charges	5,266,961	920,638	4,346,323	472.1%	Accounting entries on provision for landfill sites caused a increase in interest. This provision is calculated at year end by external experts, thus would not be known when the budget was prepared.
Bulk purchases	40,766,711	32,258,681	8,508,030	26.4%	Difficult to budget due to NERSA increases.
Other expenditure	21,414,190	34,296,769	(12,882,579)	(37.6%)	Savings on expenditure.
Total Operating Expenditure	147,220,281	150,622,237	(3,401,956)		
Government Grants and Subsidies - Capital	9,314,156	901,977	8,412,179		
Gains/(Loss) on Sale of Fixed Assets	21,729,570	23,448,200	(1,718,630)	(7.3%)	
Contributed Assets	(24,934)	-	(24,934)	100.0%	
Inventories: (Write-down)/Reversal of Write-down to	-	-	-	100.0%	
Net Realisable Value					
Impairment Loss/(Reversal of Impairment Loss) on	(21,754,069)	-	(21,754,069)	100.0%	
Receivables					
(Impairment Loss)/Reversal of Impairment Loss on	(100,997)	-	(100,997)	100.0%	
Fixed Assets					
	9,163,726	24,350,177	6,693,549		

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Original Budget)	2020 R (Adjustments)	2020 R (Final Budget)	
REVENUE BY SOURCE				
Property rates	20,113,078	3,516,418	23,629,496	There was an issue with the system calculating rates incorrectly with the initial budget.
Service charges	74,994,195	(3,356,627)	71,637,568	There was an issue with the system calculating rates incorrectly with the initial budget.
Rental of facilities and equipment	908,980	(438,480)	470,500	
Interest earned - external investments	500,000	293,870	793,870	
Interest earned - outstanding debtors	5,326,920	(180,000)	5,146,920	
Dividends	3,000	(3,000)	-	
Fines, Penalties and Forfeits	8,486,000	(5,700)	8,480,300	
Licences and permits	152,094	17,406	169,500	
Agency services	960,000	260,000	1,220,000	
Government Grants and Subsidies - Operating	33,145,800	6,506,360	39,652,160	Additional grants proclaimed.
Other revenue	1,876,150	(1,552,250)	323,900	A decrease in revenue was expected.
Total Operating Revenue	146,466,217	5,057,997	151,524,214	
EXPENDITURE BY TYPE				
Employee related costs	55,215,411	(43,757)	55,171,654	
Remuneration of councillors	3,052,500	78,150	3,130,650	
Bad debts	16,017,520	(1,834,520)	14,183,000	Indications showed there might be a decrease in provision.
Depreciation & asset impairment	10,660,845	-	10,660,845	
Finance charges	421,630	499,008	920,638	
Bulk purchases	32,258,681	-	32,258,681	
Grants and subsidies paid	3,126,000	(160,000)	2,966,000	
Other expenditure	23,224,656	8,106,113	31,330,769	Increase in anticipated general expenditure.
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	143,977,243	6,644,994	150,622,237	
Operating Surplus/(Deficit) for the year	2,488,974	(1,586,997)	901,977	
Government Grants and Subsidies - Capital	44,648,200	(21,200,000)	23,448,200	Grants initially budgeted for were not received.
Gains/(Loss) on Sale of Fixed Assets	-	-	-	
Contributed Assets	-	-	-	
Net Surplus/(Deficit) for the year	47,137,174	(22,786,997)	24,350,177	

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	Explanations for material variances over/above R1.5 million
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	93,978,548	73,714,646	20,263,902	
Government - operating	52,505,496	3,917,527	48,587,969	
Government - capital	21,729,570	23,332,577	(1,603,007)	
Interest	4,243,370	4,601,370	(358,000)	
Payments				
Suppliers and Employees	(115,460,697)	(122,386,754)	6,926,057	
Finance charges	(5,266,961)	(920,638)	(4,346,323)	
Transfers and Grants	(96,240)	(751,000)	654,760	
NET CASH FROM/(USED) OPERATING ACTIVITIES	51,633,086	(18,492,272)	70,125,358	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(20,337,903)	(25,119,200)	4,781,297	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(20,337,903)	(25,119,200)	4,781,297	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	56,628	-	56,628	
Payments				
Repayment of borrowing	(495,512)	(720,000)	224,488	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(438,884)	(720,000)	281,116	
NET INCREASE/(DECREASE) IN CASH HELD	30,856,299	(44,331,472)	75,187,771	
Cash and Cash Equivalents at the beginning of the year	11,631,234	1,544,906	10,086,328	
Cash and Cash Equivalents at the end of the year	42,487,533	(42,786,566)	85,274,099	

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)	
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	89,795,817	(16,081,171)	73,714,646	
Government - operating	33,145,800	(29,228,273)	3,917,527	
Government - capital	44,648,200	(21,315,623)	23,332,577	
Interest	3,433,600	1,167,770	4,601,370	
Payments				
Suppliers and Employees	(122,861,248)	474,494	(122,386,754)	
Finance charges	(421,630)	(499,008)	(920,638)	
Transfers and Grants	(551,000)	(200,000)	(751,000)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	47,189,539	(65,681,811)	(18,492,272)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(44,648,200)	19,529,000	(25,119,200)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(44,648,200)	19,529,000	(25,119,200)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(720,000)	-	(720,000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(720,000)	-	(720,000)	
NET INCREASE/(DECREASE) IN CASH HELD	1,821,339	(46,152,811)	(44,331,472)	
Cash and Cash Equivalents at the beginning of the year	560,000	984,906	1,544,906	
Cash and Cash Equivalents at the end of the year	<u><u>2,381,339</u></u>	<u><u>(45,167,905)</u></u>	<u><u>(42,786,566)</u></u>	

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP34 (Revised – April 2020)	<p>Separate financial statements</p> <p>The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 35 (Revised – April 2020)	<p>Consolidated financial statements</p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 36 (Revised – April 2020)	<p>Investments in associates and joint ventures</p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 37 (Revised – April 2020)	<p>Joint arrangements</p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future</p>	1 April 2020

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GRAP 38 (Revised – April 2020)	<p>Disclosure of interest in other entities</p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and</p> <p>(b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 110	<p>Living and non-living resources</p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 1 (Original – June 2012)	<p>Probability test on initial recognition of revenue</p> <p>In the public sector, entities are required to provide goods or services and to levy taxes, fines, licence fees and other types of non-exchange revenue in accordance with their legislative mandate. At the time of invoicing, there may be uncertainty as to whether the revenue will ultimately be collected based on the entity's exposure to credit risk. Nevertheless, entities often continue to provide goods or services and levy fees despite non-payment as they are required in terms of their legislative mandate to undertake these functions and collect the revenue due to them.</p> <p>For example, a municipality is required in terms of the Property Rates Act to levy property rates on the property owner based on the value of the property. These rates are levied without considering the collectability thereof as any possible non-payment is a subsequent event.</p> <p>No impact as initial recognition includes all revenue with a provision for doubtful debt.</p>	1 April 2020

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

IGRAP 20 (Original – Dec 2018)	<p>Accounting for adjustment of revenue</p> <p>The objective of this Standard is to assess whether new information that becomes known to the entity will lead to an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:</p> <p>(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or</p> <p>(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	1 April 2020
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued; and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans are valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13.7 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

INFRASTRUCTURE	YEARS
• Storm water & Roads	3-100
• Electricity	10-67
• Water	6-115
• Sewerage	10-110
• Other	50
COMMUNITY	YEARS
• Libraries	100
• Parks & Gardens	50
• Cemetery	35
• Community Halls	35
• Others	75
• Sports Fields and Stadia	50
FINANCE LEASED ASSETS	YEARS
• Office Equipment	1-14
LAND AND BUILDINGS	YEARS
• Buildings	5-140
• Land	0
• Rehabilitation of Landfill Sites	10-30
OTHER	YEARS
• IT Equipment	1-12
• Furniture & Office Equipment	1-35
• Motor Vehicles	1-26

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

• Office Equipment	1-14
• Plant and Equipment	1-30

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	3-19

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	30-120

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

1.18 HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period; or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- dispose of an asset before the previously expected date; and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing
- asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before
- impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost; and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost; and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

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1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received; or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until the depositor have been notified of the unclaimed deposit and a further 36 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage; and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24 ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.25 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence; or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.29 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (borrowing rate) was used to calculate the effect of time value of money.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.30.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 7 days during the year under review is used as the estimate for calculating unused units.

1.30.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	1,445,145	1,940,657
	1,445,145	1,940,657
Current Portion transferred to Current Liabilities	573,019	505,557
Annuity Loans - At amortised cost	573,019	505,557
	572,126	1,435,100
Total Long-term Liabilities - At amortised cost using the effective interest rate method	872,126	1,435,100
The Municipality entered into an agreement with DBSA on 30 April 2008 to consolidate previous loans with a new rescheduled loan amounted to R11 587 526,79 at a rate of 12,5% to be paid back in 180 monthly instalments. The calculation of the instalments is based on the actual number of days and shall be payable in arrears on the last business day of each month.		
The obligations under annuity loans are scheduled below:		Minimum annuity payments
Amounts payable under annuity loans:		
Payable within one year	720,000	720,000
Payable within two to five years	960,000	1,659,654
Payable after five years	-	-
	1,680,000	2,379,654
Less: Future finance obligations	(244,135)	(438,997)
Present value of annuity obligations	1,435,865	1,940,657
3 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	7,925,000	9,414,247
Long Service Awards - Refer to Note 3.2	1,857,001	1,781,027
Total Non-current Employee Benefit Liabilities	9,782,001	11,195,274
<u>Post Retirement Benefits</u>		
Balance 1 July	9,871,374	10,140,688
Contribution for the year	(457,127)	481,635
Interest Cost	904,011	950,439
Expenditure for the year	414,647	(428,277)
Actuarial Gain	(2,315,905)	(1,273,111)
Total post retirement benefits 30 June	8,417,000	9,871,374
Less: Transfer of Current Portion - Note 6	(492,000)	(457,127)
Balance 30 June	7,925,000	9,414,247
<u>Long Service Awards</u>		
Balance 1 July	2,048,001	2,191,703
Contribution for the year	(280,000)	194,192
Interest Cost	154,000	176,778
Expenditure for the year	211,000	(268,232)
Actuarial Loss/ Gain	(63,000)	(314,870)
Correction of Error	-	68,430
Total long service 30 June	2,070,001	2,048,001
Less: Transfer of Current Portion - Note 6	(213,000)	(266,974)
Balance 30 June	1,857,001	1,781,027

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	11,919,375	12,332,391
Contribution for the year	(737,127)	675,827
Interest cost	1,058,011	1,127,217
Expenditure for the year	625,647	(696,509)
Actuarial Gain	(2,378,905)	(1,587,981)
Correction of Error	-	68,430
Total employee benefits 30 June	10,487,001	11,919,375
Less: Transfer of Current Portion - Note 6	(705,000)	(724,101)
Balance 30 June	9,782,001	11,195,274

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	47	49
In-service (employee) non-members	118	63
Continuation members (e.g. Retirees, widows, orphans)	13	13
Total Members	178	125

The liability in respect of past service has been estimated to be as follows:

	R (m)	R (m)
In-service members	2.375	3.399
In-service non-members	1.210	1.262
Continuation members	4.832	5.210
Total Liability	8.417	9.871

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
Total Liability	11,635,882	11,606,000	11,536,000

	2020 R(m)	2019 R(m)	2018 R(m)	2017 R(m)	2016 R(m)
Experience adjustments were calculated as follows:					
Liabilities: loss/(profit)	-0.637	-0.494	-1.854	0.264	-0.084

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's;
LA Health
Keyhealth
Hosmed
Samwumed

	2020 %	2019 %
Key actuarial assumptions used:		

i) Rate of interest

Discount rate	10.19%	9.37%
Health Care Cost Inflation Rate	6.28%	6.83%
Net Effective Discount Rate	3.68%	2.38%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
ii) Mortality rates		
PA(90) -1 with a 1% mortality improvement p.a. from 2010		
The amount recognised in the Statement of Financial Position is as follow:	2020 R	2019 R
Present value of fund obligations	8,417,000	9,871,374
Total Liability	8,417,000	9,871,374

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	9,871,374	10,140,688
Total expenses	861,531	1,003,797
Current service cost	(457,127)	481,635
Interest Cost	904,011	950,439
Benefits Paid	414,647	(428,277)
Actuarial (gains)/losses	(2,315,905)	(1,273,111)
Present value of fund obligation at the end of the year	8,417,000	9,871,374
Less: Transfer of Current Portion - Note 6	(492,000)	(457,127)
Balance 30 June	7,925,000	9,414,247

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In service members	(Rm)	Continuation members liability	Total (Rm)	% change
				(Rm)		
Central Assumptions		3.585		4.832	8.417	

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members	(Rm)	Continuation members liability	% change
				(Rm)	
Health care inflation	1%	4.334	5,280	9,614	14%
Health care inflation	-1%	2.988	4,445	7,433	-12%
Post-retirement mortality	-1 year	3.686	4,669	8,355	-3%
Discount Rate	1%	3.011	4,461	7,472	-11%
Discount Rate	-1%	4.312	5,268	9,580	14%
Average retirement age	-1 year	4.012	4,832	8,844	5%
Continuation of membership at retirement	-10%	2.462	4,832	7,294	-13%

Assumption	Change	Current-service Cost		Total (R)	% change
		(R)	(R)		
Central Assumption		414,600	904,000	1,318,600	
Health care inflation	1%	515,800	1,047,700	1,563,500	19%
Health care inflation	-1%	336,600	787,100	1,123,700	-15%
Post-retirement mortality	-1 year	427,800	935,900	1,363,700	3%
Discount Rate	1%	341,900	874,800	1,216,700	-8%
Discount Rate	-1%	509,400	933,900	1,443,300	9%
Average retirement age	-1 year	449,300	952,700	1,402,000	6%
Continuation of membership at retirement	-10%	306,500	782,700	1,089,200	-17%

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020 R	2019 R
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3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

<u>165</u>	<u>113</u>
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Key actuarial assumptions used:	2020 %	2019 %
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i) Rate of interest

Discount rate	7.27%	8.06%
General Salary Inflation (long-term)	3.91%	5.51%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.23%	2.42%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amount recognised in the Statement of Financial Position is as follow:	2020 R	2019 R
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Present value of fund obligations	<u>2,070,001</u>	2,048,001
Net liability	<u>2,070,001</u>	<u>2,048,001</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	2018 R	2017 R	2016 R
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Experience adjustments were calculated as follows:	2020	2019	2018	2017
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Liabilities: (Gain) / loss	31,000	(129,440)	(71,658)	(71,741)
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Reconciliation of present value of fund obligation:	2020 R	2019 R
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Present value of fund obligation at the beginning of the year	2,048,001	2,191,703	2,191,703
Total expenses	85,000	154,000	171,168

Current service cost	(280,000)	(280,000)	194,192
Interest Cost	154,000	154,000	176,778
Benefits Paid	211,000	211,000	(268,232)
Correction of Error	-	-	68,430

Actuarial (gains)/losses	(63,000)	(63,000)	(314,870)
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Present value of fund obligation at the end of the year	2,070,001	2,048,001	2,048,001
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Less: Transfer of Current Portion - Note 6	(213,000)	(213,000)	(266,974)
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Balance 30 June	<u>1,857,001</u>	<u>1,781,027</u>	<u>1,781,027</u>
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Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2,070	
General salary inflation	1%	2,195	6%
General salary inflation	-1%	1,956	-6%
Discount Rate	1%	1,951	-6%
Discount Rate	-1%	2,202	6%
Average retirement age	-2 yrs	1,813	-12%
Average retirement age	2 yrs	2,233	8%
Withdrawal rates	x50%	2,247	13%
Withdrawal rates	x200%	1,670	-19%

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020	2019
R	R

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund, Government Employees Pension Fund, Municipal Council Pension Fund and IMATU Retirement Fund which are all defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

4

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	<u>17,769,714</u>	<u>14,746,489</u>
<u>Landfill Sites</u>		
Balance 1 July	14,746,489	13,864,509
Change in accounting estimate	-	4,813,633
Unwinding of discounted interest	3,023,226	(3,931,653)
Total provision 30 June	17,769,714	14,746,489
<u>Less:</u> Transfer of Current Portion to Current Provisions - Refer to note 7	-	-
Balance 30 June	17,769,714	14,746,489

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Calitzdorp</u>	<u>Ladismith</u>	<u>Van Wyksdorp</u>	<u>Zoar</u>	<u>Total</u>
Rehabilitation area (m ²)	14,500	55,000	2,500	9,500	
Cost	R	R	R	R	
Preliminary and General	942,500	2,827,100	383,625	1,112,475	5,265,700
Earthworks	3,560,000	120,000	40,000	96,000	3,816,000
Stormwater Control Measures	-	40,000	12,000	25,000	77,000
Capping	-	9,024,000	1,200,000	3,504,000	13,728,000
Topsoil replacement	-	1,598,000	212,500	620,500	2,431,000
Re-vegetation	210,000	526,400	70,000	204,400	1,010,800
Engineering Professional Fees	471,250	2,120,325	287,719	834,356	3,713,650
Authority Approval / acceptance (Closure Licence)	85,000	85,000	85,000	85,000	340,000
Total	5,268,751	16,340,826	2,290,845	6,481,731	30,382,153

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<u>Location</u>	<u>Estimated decommission date</u>			2020	2019
				R	R
		<u>Cost of rehabilitation 2020</u>	<u>Cost of rehabilitation 2019</u>	R	R
Calitzdorp	2022	6,609,120	6,154,204		
Ladismith	2025	28,798,117	29,124,555		
Van Wyksdorp	2024	3,604,687	3,120,171		
Zoar	2029	17,974,351	18,191,826		
		56,986,275	56,590,756		

5 CONSUMER DEPOSITS

Electricity	844,605	802,848
Rental Properties	1,165	815
Buildings Plans	162,919	148,398
Posters	12,145	12,145
Total Consumer Deposits	1,020,834	964,206

Guarantees held in lieu of Electricity and Water Deposits

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits	492,000	457,127
Current Portion of Long-Service Provisions	213,000	266,974
Provision for Staff Leave	4,256,642	3,753,340
Staff Bonuses accrued	1,308,540	1,444,098
Total Current Employee Benefits	6,270,182	5,921,539

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	3,753,339	3,333,701
Contribution to current portion	615,110	501,144
Expenditure incurred	(111,808)	(81,505)
Balance at end of year	4,256,641	3,753,339

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued

Balance at beginning of year	1,444,098	960,693
Contribution to current portion	3,138,079	2,892,400
Expenditure incurred	(3,273,637)	(2,408,995)
Balance at end of year	1,308,540	1,444,098

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle.

7 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4	-	-
Total Provisions	-	-

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	49,353,167	35,180,776
Previously stated	35,915,602	
Correction of error	(734,826)	
Pre-Paid Electricity	274,820	274,820
Retentions and Guarantees	2,652,343	2,652,343
Debtors paid in advance	2,604,815	1,614,962
Other payables	5,235,325	8,210,461
Total Trade Payables	60,120,470	47,933,362

Payables are being recognised net of any discounts.

Payables should be paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	27,393,206	14,831,073
National Government Grants	11,087,160	2,864,360
Provincial Government Grants	13,835,495	9,496,162
Other Grant Providers	2,470,551	2,470,551
Total Conditional Grants and Receipts	27,393,206	14,831,073

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10 TAXES

NET VAT RECEIVABLE/(PAYABLE)

VAT is receivable/payable on the cash basis.	(3,014,743)	2,224,347
Previously stated	2,320,194	
Correction of error	(95,847)	
Provision for Impairment	-	
Total Net Taxes Receivables	(3,014,743)	2,224,347

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11 Property, Plant and Equipment

30 JUNE 2020

	Cost										Accumulated Depreciation						Accumulated Impairment						Carrying value	
	Opening Balance	Correction of errors	Restated Opening Balances		Additions	Work in progress	Change in estimate	Disposals/Write off	Closing Balance	Opening Balance	Correction of errors	Restated Opening Balances		Depreciation Charge	Disposal of Assets	Closing balance	Accumulated Depreciation	Opening Balance	Restated Opening Balances	Impairments	Closing balance	Accumulated Impairments	Total Closing Balance	
			R	R							R	R	R	R										
Land and Buildings	8,361,879	-	8,361,879	-	-	-	-	-	8,361,879	1,379,033	-	1,379,033	130,783	-	-	1,509,816	11,232	11,232	-	11,232	1,521,048	6,840,831		
Land	4,393,881	-	4,582,881	-	-	-	-	-	4,393,881	-	-	-	-	-	-	-	-	-	-	-	-	-	4,582,881	
Buildings	3,778,998	-	3,778,998	-	-	-	-	-	3,778,998	1,379,033	-	1,379,033	130,783	-	-	1,509,816	11,232	11,232	-	11,232	1,521,048	2,257,088		
Infrastructure	435,360,841	-	435,360,841	-	16,669,085	-	-	-	452,029,926	149,072,037	-	149,072,037	10,908,608	-	-	159,980,645	967,606	967,606	-	967,606	160,948,252	291,081,674		
Electricity	108,245,653	-	108,245,653	-	351,553	-	-	-	108,597,206	31,188,454	1,811,500	-	31,188,454	1,811,500	-	32,999,954	226,355	226,355	-	226,355	33,226,309	75,370,898		
Other	752,108	-	752,108	-	-	-	-	-	752,108	256,884	20,050	-	256,884	20,050	-	276,934	255,624	255,624	-	255,624	532,558	219,550		
Road Transport	84,347,903	-	84,347,903	-	-	-	-	-	84,347,903	30,400,068	-	30,400,068	2,821,475	-	-	33,221,543	2,296	2,296	-	2,296	33,223,839	51,124,064		
Sanitation	90,018,711	-	90,018,711	-	2,031,200	-	-	-	92,049,911	34,924,081	-	34,924,081	2,358,213	-	-	37,282,294	74,113	74,113	-	74,113	37,356,407	54,693,504		
Solid Waste	16,672,912	-	16,672,912	-	-	-	-	-	16,672,912	9,903,894	1,061,162	-	9,903,894	1,061,162	-	10,965,056	-	-	-	-	10,965,056	5,707,856		
Water Supply	135,323,554	-	135,323,554	-	14,286,332	-	-	-	149,608,984	42,398,656	2,836,209	-	42,398,656	2,836,209	-	45,234,865	409,219	409,219	-	409,219	45,644,082	103,965,803		
Community Assets	30,355,271	-	30,355,271	-	2,987,831	-	-	-	33,343,102	7,247,571	849,258	-	7,247,571	849,258	-	8,096,829	-	-	-	-	8,096,829	25,246,273		
Cemeteries	774,915	-	774,915	-	-	-	-	-	774,915	197,183	17,457	-	197,183	17,457	-	214,640	-	-	-	-	214,640	560,275		
Community Halls	10,436,248	-	10,436,248	-	-	-	-	-	10,436,248	2,172,329	343,501	-	2,172,329	343,501	-	2,515,830	-	-	-	-	2,515,830	7,920,418		
Libraries	1,425,915	-	1,425,915	-	-	-	-	-	1,425,915	497,520	43,820	-	497,520	43,820	-	541,340	-	-	-	-	541,340	884,575		
Other	5,347,833	-	5,347,833	-	-	-	-	-	5,347,833	2,945,353	273,365	-	2,945,353	273,365	-	3,218,718	-	-	-	-	3,218,718	2,129,115		
Parks & gardens	1,750,468	-	1,750,468	-	-	-	-	-	1,750,468	346,874	66,837	-	346,874	66,837	-	413,711	-	-	-	-	413,711	1,336,757		
Sports Fields & Stadia	10,619,892	-	10,619,892	-	2,987,831	-	-	-	13,607,723	1,088,313	104,277	-	1,088,313	104,277	-	1,192,590	-	-	-	-	1,192,590	12,415,133		
Other Assets	18,907,047	-	18,907,047	680,987	-	-	-	-	(100,057)	19,487,977	8,445,640	-	8,445,640	1,106,747	-	(75,123)	9,477,264	64,443	64,443	100,996	165,439	9,642,703	9,845,274	
Computers - Hardware/Equipment	1,996,874	-	1,996,874	65,112	-	-	-	-	(10,862)	2,051,124	1,209,047	-	2,051,124	1,209,047	-	(4,933)	1,350,906	9,010	9,010	9,427	18,437	1,369,343	681,781	
Furniture And Other Office Equipment	2,554,987	-	2,554,987	78,147	-	-	-	-	(5,755)	2,627,198	1,688,199	-	2,627,198	1,688,199	-	(3,889)	1,833,971	7,410	7,410	12,479	19,888	1,852,861	773,519	
General vehicles	3,962,160	-	3,962,160	500,436	-	-	-	-	(83,150)	3,479,446	2,920,607	-	3,479,446	2,920,607	-	(66,020)	3,012,516	47,797	47,797	53,062	100,859	3,113,375	1,266,071	
Plant & equipment	8,919,052	-	8,919,052	37,292	-	-	-	-	(290)	8,956,054	2,444,668	-	8,956,054	2,444,668	-	(281)	3,008,277	226	226	26,028	26,254	3,034,530	5,921,523	
Specialized Vehicles	1,473,974	-	1,473,974	-	-	-	-	-	-	1,473,974	183,119	-	1,473,974	183,119	-	-	271,594	-	-	-	-	271,594	1,202,386	
492,985,038	-	492,985,038	680,987	19,656,916	-	-	-	-	(100,057)	513,222,884	165,444,281	-	165,444,281	12,995,396	-	(75,123)	179,064,554	1,043,281	1,043,281	100,996	1,144,277	180,208,832	333,014,048	

30 JUNE 2019

	Cost										Accumulated Depreciation						Accumulated Impairment						Carrying value		
	Opening Balance	Corrections of errors	Restated Opening Balances		Additions	Work in progress	Change in estimate	Disposals/Write offs	Closing Balance	Opening Balance	Corrections of errors	Restated Opening Balances		Depreciation Charge	Corrections of errors	Restated Depreciation	Disposal of Assets	Closing balance	Accumulated Depreciation	Opening Balance	Restated Opening Balances	Impairments	Closing balance	Accumulated Impairments	
			R	R							R	R	R	R											
Land and Buildings	9,622,879	-	9,622,879	-	-	-	-	-	(1,261,000)	8,361,879	1,295,508	(42,121)	1,253,388	140,677	(15,031)	125,646	-	1,379,033	11,232	11,232	-	11,232	1,390,265	6,971,614	
Land	5,843,881	-	5,843,881	-	-	-	-	-	(1,261,000)	4,582,881	-	-	-	-	-	-	-	-	-	-	-	-	-	4,582,881	
Buildings	3,778,998	-	3,778,998	-	-	-	-	-	3,778,998	1,295,508	(42,121)	-	1,295,508	140,677	(15,031)	125,646	-	1,379,033	11,232	11,232	-	11,232	1,390,265	2,388,733	
Infrastructure	417,876,393	-	417,876,393	8,308,340	5,014,697	4,813,633	(652,222)	-	435,360,841	138,322,039	(47,198)	138,274,841	11,314,039	(7,664)	11,306,376	(509,179)	149,072,037	519,607	519,607	447,999	967,606	150,039,643	285,321,198		
Electricity	106,109,809	-	106,109,809	1,918,185	217,659	-	-	-	108,245,653	23,318,077	1,870,235	(700)	23,318,077	1,870,235	(58)	1,870,235	-	31,188,454	226,355	226,355	-	226,355	31,414,809	76,830,844	
Other	752,108	-	752,108	-	-	-	-	-	752,108	2,154,886	20,050	-	2,154,886	20,050	-	41,038	-	255,624	255,624	512,508	-	238,900	2,129,329		
Road Transport	84,347,903	-	84,347,903	-	-	-	-	-	84,347,903	27,820,497	(2,571)	-	27,820,497	2,571	-	2,582,142	-	30,400,068	2,296	2,296	-	2,296	30,402,364	53,945,539	
Sanitation	90,018,711	-	90,018,711	-	-	-	-	-	90,018,711	32,551,591	2,372,490	-	32,551,591	2,372,490	-	3,272,490	-	34,924,081	74,113	74,113	-	74,113	34,998,195	55,020,517	
Solid Waste	11,859,279	-	11,859,279	-	-	-	-	-	11,859,279	16,672,912	8,842,732	-	16,672,912	8,842,732	-	8,842,732	-	1,061,162	-	-	-	-	9,903,894	6,769,018	

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
11 Assets pledged as security:		
11.1 All the assets obtained by financial leases are pledged as security. Carrying value of these assets :		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost	-	-
Deficit	-	-
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
11.2 Effect of changes in accounting estimates		
During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised. The effect on the current and future periods are as follow :		
	2020 R	2021 R
Increase in Accumulated Depreciation: Property, plant and equipment		
Land and Buildings	15,031	15,031
Infrastructure	4,023	4,023
Other Assets	35,874	33,685
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
11.3 Impairment of property plant and equipment for the year		
	2020 R	2019 R
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Other Assets	65,910	64,443
Lease Assets	-	-
Infrastructure	-	447,999
Buildings	-	-
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
11.4 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	56,386,778	19,594,448
Roads	-	-
Electricity	20,795,241	4,715,588
Water Supply	27,677,935	7,648,951
Sanitation	7,913,602	7,229,909
Community Assets	10,728,480	7,751,615
Other Assets	-	-
Total Property, Plant and Equipment under construction	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	67,115,258	27,346,063
11.5 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
Infrastructure Assets	15,263,445	14,579,752
Electricity (Surya Powers)	4,497,929	4,497,929
Water Supply (Swartberg dam)	2,851,913	2,851,913
Sanitation (Ladismith Waste water treatment works)	7,064,056	7,064,056
Sanitation (Upgrade of Ladismith Waste water treatment works)	849,547	165,854
Community Assets	4,771,936	7,751,615
Community Assets (Zoar Cemetery)	290,261	290,261
Community Assets (Zoar Sports Fields Rehab)	126,085	126,085
Community Assets (Upgrading of sport fields in Calitzdorp)	4,355,590	7,335,269
Reasons:		
Legal constrains and turnover of senior key personnel		

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
11.6	Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials		1,283,840	1,348,789
Contracted Services		1,040,684	795,710
Total Repairs and Maintenance		2,324,524	2,144,499
12	INVESTMENT PROPERTY		
Net Carrying amount at 1 July		1,488,659	1,594,077
Cost		2,183,168	2,183,168
Accumulated Depreciation		(677,192)	(571,774)
Accumulated Impairment		(17,317)	(17,317)
Acquisitions		-	-
Disposals		-	-
Depreciation for the year		(124,176)	(105,418)
Impairment		-	-
Transfers from Land and Buildings		-	-
Net Carrying amount at 30 June		1,364,483	1,488,659
Cost		2,183,168	2,183,168
Accumulated Depreciation		(801,368)	(677,192)
Accumulated Impairment		(17,317)	(17,317)
Impairment charges on Investment Properties recognised in statement of financial performance		-	-
There are no restrictions on the realizability of Investment Property or the remittance of revenue and proceeds of disposal.		-	-
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		-	-
Revenue derived from the rental of investment property		191,188	301,752
Operating expenditure incurred on properties generating revenue		-	-
During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.		-	-
The effect on the current and future periods are as follow :		2018 R	2019 R
Increase in Accumulated Depreciation: Investment Properties		2020 R	2019 R
13	INTANGIBLE ASSETS		
Computer Software		2020 R	2019 R
Net Carrying amount at 1 July		48,721	75,782
Cost		637,157	637,157
Accumulated Amortisation		(588,436)	(561,375)
Previously stated		-	(563,313)
Correction of error		1,938	-
Additions		-	-
Amortisation		(10,452)	(27,061)
Previously stated		-	(28,564)
Correction of error		1,503	-
Impairments		-	-
Disposals		-	-
Net Carrying amount at 30 June		38,269	48,721
Cost		637,157	637,157
Accumulated Amortisation		(598,888)	(588,436)
Accumulated Impairments		-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	<u>Remaining Amortisation</u> <u>Period</u>	Carrying Value	2020 R	2019 R
<u>Description</u>				

The following material intangible assets are included in the carrying value above

Microsoft Office and Windows software	5-10 years	38,269	48,721
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No intangible asset assessed having an indefinite useful life.

There are no internal generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

Effect of changes in accounting estimates

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.

The effect on the current and future periods are as follow :

	2019 R	2020 R	2021 R
Decrease in Accumulated Depreciation	1,503	694	(409)
14 INVENTORY			
Consumable Stores - Stationery and materials - At cost	1,554,251	706,447	
Water – at cost	84,988	56,530	
Land available for housing projects - At cost	1,262,000	1,262,000	
Total Inventory	2,901,239	2,024,977	
Consumable stores materials written down due to losses as identified during the annual stores counts.	49,756	323,575	
Consumable stores materials surpluses identified during the annual stores counts.	-	-	
Inventory recognised as an expense during the year	1,999,644	1,360,328	

No inventory assets were pledged as security for liabilities.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15

RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020 R	2019 R
Electricity	3,796,771	2,877,921
Previously stated	2,877,669	
Correction of error	252	
Water	23,832,302	14,711,528
Previously stated	14,719,075	
Correction of error	(7,547)	
Refuse	17,015,148	12,407,878
Previously stated	12,415,888	
Correction of error	(8,010)	
Sewerage	16,194,712	11,979,694
Previously stated	11,982,097	
Correction of error	(2,403)	
Rentals	39,606	38,378
Fire Levy	745,722	-
Sundry Receivables	1,131,193	963,716
Previously stated	963,766	
Correction of error	(50)	
Total Receivables from Exchange Transactions	62,755,454	42,979,115
Less: Allowance for Doubtful Debts	(58,747,042)	(40,260,941)
Total Net Receivables from Exchange Transactions	4,008,412	2,718,174

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	701,433	700,556
31 - 60 Days	295,378	110,637
61 - 90 Days	212,588	53,280
+ 90 Days	2,587,372	2,013,448
Total	3,796,771	2,877,921

(Water): Ageing

Current (0 - 30 days)	661,128	643,312
31 - 60 Days	799,630	518,043
61 - 90 Days	780,482	378,486
+ 90 Days	21,591,062	13,171,687
Total	23,832,302	14,711,528

(Refuse): Ageing

Current (0 - 30 days)	577,622	493,542
31 - 60 Days	446,409	323,184
61 - 90 Days	399,538	290,646
+ 90 Days	15,591,579	11,300,506
Total	17,015,148	12,407,878

(Sewerage): Ageing

Current (0 - 30 days)	576,941	495,176
31 - 60 Days	446,581	305,373
61 - 90 Days	373,835	267,459
+ 90 Days	14,797,355	10,911,686
Total	16,194,712	11,979,694

(Rentals): Ageing

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	39,606	38,378
Total	39,606	38,378

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Fire Levy): Ageing</u>		
Current (0 - 30 days)	77,880	-
31 - 60 Days	67,519	-
61 - 90 Days	62,955	-
+ 90 Days	537,367	-
Total	745,722	-
<u>(Sundry): Ageing</u>		
Current (0 - 30 days)	62,209	58,767
31 - 60 Days	41,178	17,041
61 - 90 Days	29,930	13,579
+ 90 Days	997,876	874,329
Total	1,131,193	963,716
<u>(Total): Ageing</u>		
Current (0 - 30 days)	2,657,213	2,391,353
31 - 60 Days	2,096,694	1,274,278
61 - 90 Days	1,859,330	1,003,450
+ 90 Days	56,142,217	38,310,034
Total	62,755,454	42,979,115
Reconciliation of Provision for bad debts		
Balance at beginning of year	40,260,941	36,241,302
Contribution to provision/(Reversal of provision)	18,486,101	4,019,639
Balance at end of year	58,747,042	40,260,941
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	24,895,751	21,109,042
Previously stated	21,143,616	
Correction of error	(34,574)	
Other Receivables	8,725,217	7,440,509
Suspense Debtors	8,725,217	7,440,509
Previously stated	6,946,509	
Correction of error	494,000	
Total Receivables from Non-Exchange Transactions	33,620,969	28,549,550
Less: Allowance for Doubtful Debts	(30,496,536)	(25,989,060)
Total Net Receivables from Non-Exchange Transactions	3,124,433	2,560,490
Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.		
Included in Suspense Debtors is outstanding traffic fines receivable which is assessed for impairment based on expected future cash flows. A provision for doubtful debts of R7,178,965 (2019: R5,939,457) was raised against the gross amount receivable.		
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	852,099	840,674
31 - 60 Days	465,884	377,500
61 - 90 Days	374,652	286,706
+ 90 Days	23,202,477	19,604,162
Total	24,895,112	21,109,042

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	25,989,060	26,750,078
Contribution to provision	8,096,650	5,064,158
Traffic Fines Written Off	(3,589,174)	(5,825,176)
Balance at end of year	30,496,536	25,989,060

Concentrations of credit risk with respect to non-exchange receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non - trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's non-exchange receivables.

17 OPERATING LEASE ARRANGEMENTS

18.1 The Municipality as Lessor (Asset)

Balance on 1 July	51,308	34,747
Movement during the year	7,981	16,561
Balance on 30 June	59,289	51,308
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	458,249	479,363
1 to 5 Years	229,634	687,883
More than 5 Years	-	-
Total Operating Lease Arrangements	687,883	1,167,246

This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until December 2023.

The municipality does not engage in any sub-lease arrangements. The municipality did not pay any contingent rent during the year.

18.2 The Municipality as Lessee (Liability)

Balance on 1 July	8,027	5,750
Movement during the year	4,900	2,277
Balance on 30 June	12,927	8,027
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	171,484	240,431
1 to 5 Years	152,586	324,070
More than 5 Years	-	-
Total Operating Lease Arrangements	324,070	564,501

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which have an undetermined conditional expenditure.

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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CASH AND CASH EQUIVALENTS

Assets

	2020 R	2019 R
Call Investments Deposits	37,862,287	8,386,533
Bank Accounts	4,620,746	3,240,201
Cash Floats	4,500	4,500
Total Cash and Cash Equivalents - Assets	42,487,533	11,631,234

Cash and cash equivalents comprise of cash held and short- term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts Bank statements

Standard Bank Current account - Account number 420543546	2,872,402	2,872,402
Standard Bank Current account - Account number 420543554	512,772	512,772
Standard Bank Current account - Account number 420543562	374,906	374,906
	3,760,080	3,760,080

Call Investments statements

Standard Bank Call Deposit - Account number 288798546	8,322,988	8,322,988
	8,322,988	8,322,988

Current Accounts

Cash book balance at beginning of year	3,240,201	1,512,297
Cash book balance at end of year	4,620,746	3,240,201
Bank statement balance at beginning of year	3,760,080	1,458,477
Bank statement balance at end of year	3,760,080	3,760,080

19

PROPERTY RATES

Actual

Rateable Land and Buildings	21,830,688	20,226,458
Rateable Land and Buildings	21,830,688	20,226,458
Less: Rebates	5,077,221	3,955,069
Total Assessment Rates	16,753,467	16,271,389

Valuations - 1 JULY 2013

Rateable Land and Buildings	519,757,500	519,757,500
Residential Properties - Sec 8(2)(a)	28,263,000	28,263,000
Industrial Properties - Sec 8(2)(b)	118,632,000	118,632,000
Business and Commercial Properties-Sec 8(2)(c)	1,509,704,080	1,509,704,080
Farm Agricultural Purposes - Sec 8(2)(d)(i)	44,020,000	44,020,000
Church	18,101,000	18,101,000
Nature Reserve	55,875,000	55,875,000
General	108,823,000	108,823,000
State Owned - Sec 8(2)(g)	69,037,500	69,037,500
Municipal Owned-Sec 8(2)(h)		
Total Assessment Rates	2,472,213,080	2,472,213,080

Valuations on land and buildings are required by Section 32(1)(b) of the Municipal Property Rates Act No.6 of 2004 , to be performed every four years. The last valuation came into effect on 1 July 2013.

Rates:

Residential	1.3880c/R	1.3880c/R
Business and Commercial	2.5330c/R	2.5330c/R
State Owned	2.5330c/R	2.5330c/R
Agricultural	0.3470c/R	0.3470c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which have subsequently been forgone by way of rebate or remission.

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	28,147,000	25,362,000
Equitable Share	28,147,000	25,362,000
Conditional Grants	33,525,932	33,013,461
Grants and donations	33,525,932	33,013,461
Previously stated		32,879,461
Correction of error		134,000
Total Government Grants and Subsidies	61,672,932	58,375,461
Government Grants and Subsidies - Capital	21,729,570	18,343,740
Government Grants and Subsidies - Operating	39,943,362	40,031,721
	61,672,932	58,375,461
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Community Services	830,000	1,077,379
Corporate Services	10,132,667	8,751,957
Executive Council	885,738	79,125
Financial Services	6,435,241	9,528,462
Technical Services	15,242,286	13,576,538
	33,525,932	33,013,461
The municipality does not expect any significant changes to the level of grants.		
20.1 Equitable share		
Opening balance	-	-
Grants received	28,147,000	25,362,000
Conditions met - Operating	(28,147,000)	(25,362,000)
Conditions still to be met	-	-
	28,147,000	25,362,000
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
20.2 Expanded Public Works Program (EPWP)		
Opening balance	-	-
Circular 79 -self funding		
Grants received	1,184,000	1,055,000
Conditions met - Operating	(1,142,848)	(1,055,000)
Conditions met - Capital	-	-
Conditions still to be met	41,152	-
	41,152	-
Job creation projects in previous disadvantage areas		
20.3 Local Government Financial Management Grant (FMG)		
Opening balance	147,274	147,990
Grants received	2,215,000	2,215,000
Conditions met - Operating	(1,960,338)	(2,215,716)
Conditions still to be met	401,936	147,274
	401,936	147,274
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
22.4 Municipal Infrastructure Grant (MIG)		
Opening balance	35,001	1,155,030
Repaid	-	(1,100,000)
Grants received	10,271,000	8,392,000
Conditions met - Operating	(708,891)	(507,800)
Conditions met - Capital	(6,800,131)	(7,904,229)
Grant expenditure to be recovered	2,796,979	35,001

The grant was used to upgrade infrastructure in previously disadvantaged areas.

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
22.5 Other Grants		
Opening balance	14,648,801	11,822,847
Previously stated		11,582,847
Correction of error		240,000
Circular 79 -self funding		
Grants received	32,418,066	25,122,669
Previously stated		24,762,669
Correction of error		360,000
Repaid	-	(1,100,000)
Conditions met - Operating	(7,984,286)	(10,757,204)
Conditions met - Capital	(14,929,439)	(10,439,511)
Conditions still to be met	<u>24,153,142</u>	<u>14,648,801</u>
22.6 Total Grants		
Opening balance	14,831,073	13,125,867
Grants received	74,235,066	62,146,669
Repaid	-	(2,200,000)
Conditions met - Operating	(39,943,363)	(39,897,723)
Conditions met - Capital	(21,729,570)	(18,343,740)
Conditions still to be met	<u>27,393,206</u>	<u>14,831,073</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	<u>27,393,206</u>	<u>14,831,073</u>
	<u>27,393,206</u>	<u>14,831,073</u>
21 SERVICE CHARGES		
Electricity	52,586,881	44,923,691
Water	19,806,653	12,958,111
Refuse removal	6,742,591	5,799,255
Sewerage and Sanitation Charges	6,823,257	5,985,595
Total Service Charges	<u>85,959,382</u>	<u>69,666,652</u>
22 EMPLOYEE RELATED COSTS		
Salaries and Wages	40,223,208	36,701,349
Contributions for UIF, pensions and medical aids	7,561,668	6,905,843
Travel, motor car, accommodation, subsistence and other allowances	5,148,044	4,956,125
Group Insurance	73,553	48,963
Contribution to provision - Post Retirement Medical	(997,247)	11,170
Current service cost	414,647	481,635
Interest Cost	904,011	950,439
Actuarial Gains /Losses	(2,315,905)	(1,420,904)
Contribution to provision - Long Service Awards	22,000	272,323
Current service cost	(69,000)	194,192
Interest Cost	154,000	176,778
Actuarial Gains/Losses	(63,000)	(98,647)
Housing benefits and allowances	256,587	291,062
Overtime Payments	-	1,643,656
Standby	1,944,393	1,565,449
Bonus	3,273,637	2,408,995
Cellphone allowance	160,500	109,776
Staff Leave	653,601	590,757
Total Employee Related Costs	<u>58,319,944</u>	<u>55,505,468</u>

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020	2019
R	R

KEY MANAGEMENT PERSONNEL

Municipal Manager and CFO are appointed on a contract basis. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	1,020,234	1,060,014
Performance Bonus	69,290	-
Car Allowance	84,000	61,373
Contributions to UIF, Medical, Pension Funds and Bargaining Council	50,279	892
Allowance	84,325	-
Cell phone allowance	30,000	20,000
Travelling reimbursement	12,990	-
Total	1,351,118	1,142,279

Remuneration of the Chief Financial Officer

Annual Remuneration	921,272	1,079,728
Car Allowance	120,000	126,668
Contributions to UIF, Medical, Pension Funds and Bargaining Council	31,019	1,933
Cell phone allowance	30,000	32,176
Allowance	40,669	-
Travelling reimbursement	7,861	-
Total	1,150,821	1,240,505

Remuneration of the Head Technical Services

Annual Remuneration	945,272	381,663
Car Allowance	96,000	44,263
Contributions to UIF, Medical, Pension Funds, SDL, Group Life and Bargaining Council	31,524	595
Allowance	40,669	-
Cell phone allowance	30,000	12,500
Travelling reimbursement	17,270	-
Total	1,160,735	439,021

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REMUNERATION OF COUNCILLORS

Executive Mayor allowance	849,999	834,844
Deputy Executive Mayor allowance	405,471	400,395
Speaker allowance	694,616	691,870
Councillors allowances	1,191,664	1,384,450
Councillors other allowances	-	11,733
Total Councillors' Remuneration	3,141,750	3,323,292

In-kind Benefits

The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.

24

IMPAIRMENT (LOSS/REVERSAL OF IMPAIRMENT LOSS) on RECEIVABLES

Trade Receivables from non-exchange transactions	3,267,969	4,790,745
Trade Receivables from exchange transactions	18,486,100	4,019,640
	21,754,069	8,810,385

25

DEPRECIATION AND AMORTISATION

Property Plant and Equipment	12,995,396	13,276,645
Investment Property	124,176	105,418
Intangible Assets	10,452	27,061
	13,130,024	13,409,124

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
26	IMPAIRMENT LOSS/ REVERSAL of IMPAIRMENT LOSS on FIXED ASSETS		
Property Plant & Equipment		100,996	512,442
Investment Properties		-	-
Intangible assets		-	-
		<u>100,996</u>	<u>512,442</u>
27	FINANCE COSTS		
Other		2,027,907	1,570,519
Other - Discount		-	(778,664)
Long-term Liabilities		215,828	273,707
Landfill Sites		3,023,226	(3,931,653)
Total finance charges		<u>5,266,961</u>	<u>(2,866,091)</u>
28	BULK PURCHASES		
Electricity		40,538,579	34,721,706
Water		228,131	175,869
Total Bulk Purchases		<u>40,766,711</u>	<u>34,897,575</u>
29	CONTRACTED SERVICES		
Accounting and Auditing		6,165,425	4,602,189
Business and Financial Management		1,117,105	3,444,036
Catering Services		545,460	-
Housing		-	1,061,438
Legal Advice and Litigation		841,851	566,180
Maintenance of Buildings and Facilities		352,004	263,935
Maintenance of Equipment		399,895	77,373
Maintenance of Unspecified Assets		288,785	454,402
Medical		3,502	1,032
Meter Management		474,349	121,800
Organisational		1,251,066	3,235,537
Security Services		3,913	7,721
Traffic Fines Management		351,688	199,739
Water		1,412	30,100
Total		<u>11,796,456</u>	<u>14,065,481</u>

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
30 OPERATIONAL COSTS		
Advertising, Publicity and Marketing	41,896	12,472
Assets less than the Capitalisation Threshold	(390)	123,845
Bank Charges, Facility and Card Fees	301,021	286,539
Commission	607,591	655,266
Deeds	24,741	37,814
Entertainment	22,116	30,560
Insurance Underwriting	359,968	502,803
Landfill Sites	270,575	91,725
Motor Vehicle Licence and Registrations	93,646	97,566
Municipal Services	2,237,759	1,740,127
Postage/Stamps/Franking Machin	440,989	393,654
Printing, Publications and Books	453,768	385,034
Professional Bodies, Membership and Subscription	7,366	7,347
Remuneration to Ward Committees	1,500	215,000
Seminars, Conferences, Workshops and Events	-	11,814
Skills Development Fund Levy	403,433	399,886
Software Licences	25,826	286,425
Staff Recruitment	25,500	-
Telephone, Fax, Telegraph and Telex	736,896	585,570
Travel and Subsistence	301,877	749,466
Uniform and Protective Clothing	24,963	74,413
Wet Fuel	657,505	1,225,463
Total Operational Costs	7,038,548	7,912,589
31 Inventory Consumed		
Consumables	715,804	27,577
Materials and Supplies	1,283,840	1,332,751
	1,999,644	1,360,328
32 Transfers and Subsidies		
Special projects	96,240	405,612
Tourism development	-	-
	96,240	405,612

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

33 CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RE-CLASSIFICATIONS

Prior year adjustments due to non-compliance with accounting policy and errors

33.01 (i) During the reconciliation of receivables it was noticed that certain accounts were incorrectly levied in prior years. The error have been corrected and has resulted in the following corrections :
(Dt) Accumulated Surplus - Prior year opening R9,672; (Dt) Accumulated Surplus - Through prior year surplus/deficit R42,659; (Dt) Receivables from exchange transactions - Electricity R252; (Cr) Receivables from exchange transactions - Water R7,547; (Cr) Receivables from exchange transactions - Refuse R8,010; (Cr) Receivables from exchange transactions - Sewerage R2,403; (Cr) Receivables from exchange transactions - Sundry R50; (Cr) Receivables from non-exchange transactions - Rates R34,573.

(ii) During the reconciliation and reassessment of intangible assets the useful lives of some items were amended. The amendment has resulted in the following corrections to prior year figures:
(Dt) Intangible Assets R3,441; (Cr) Accumulated Surplus - Prior year opening R1,938; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Depreciation) R1,503.

(iii) During the reconciliation and reassessment of Property, Plant and Equipment the useful lives of some items were amended. The amendment has resulted in the following corrections to prior year figures:
(Dt) Property, Plant and Equipment - Buildings R57,153; (Cr) Accumulated Surplus - Prior year opening R42,121; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Depreciation) R15,032.
(Dt) Property, Plant and Equipment - Infrastructure R54,862; (Cr) Accumulated Surplus - Prior year opening R47,198; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Depreciation) R7,664.
(Dt) Property, Plant and Equipment - Other Assets R177,396; (Cr) Accumulated Surplus - Prior year opening R141,522; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Depreciation) R25,874

(iv) During the reconciliation of the grant register it was found that a grant declared and expensed was not accounted for in the prior year. The funding was received in the current year, but the grant was authorised and the asset acquired in the prior year. The correction has resulted in the following corrections to prior year figures:
(Dt) Receivables from non-exchange transactions: Suspense debtors R494,000; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Government Grants and Subsidiaries-Operational) R494,000.

(v) During the reconciliation of the grant register it was found that a grant previously received was allocated as a Human Settlement grant was actually a Bursary Grant with the same amount. The correction has resulted in the following corrections to prior year figures:
(Dt) Accumulated Surplus - Through prior year surplus/deficit (Government Grants and Subsidiaries-Operational) R360,000; (Dt) Accumulated Surplus - Prior year opening R240,000; (Cr) Unspent Conditional Government Grants and Receipts - Other R600,000.

(vi) During the valuation of post-employment benefits it was noted that incorrect data was provided to the actuaries. An employee was omitted from the calculation and incorrect pay rates was used. The correction has resulted in the following corrections to prior year figures:
(Dt) Accumulated Surplus - Through prior year surplus/deficit (Gains/losses) R68,430; (Cr) Employee Benefits R68,430.

(vii) During the reconciliation of suppliers it was found that the opening balances of certain accounts was not correctly provided in the prior year. The correction has resulted in the following corrections to prior year figures:
(Dt) Payables from exchange transaction R734,826; (Cr) Taxes R95,847; (Cr) Accumulated Surplus - Through prior year surplus/deficit (Bulk Purchases - Electricity) R638,979

The above note 33.01 representing the narratives of the following Corrections of Errors as set out from notes 33.02 to 33.11

	2019	2018 and Prior
	R	R
33.02 Accumulated Surplus		
Balance previously reported	10,810,887	239,488,801
Adjustments:		
Correction of error-(see note 34.1.(i))	(9,672)	(42,659)
Correction of error-(see note 34.1.(ii))	1,503	1,938
Correction of error-(see note 34.1.(iii))	15,032	42,121
Correction of error-(see note 34.1.(iii))	7,664	47,198
Correction of error-(see note 34.1.(iii))	35,874	141,522
Correction of error-(see note 34.1.(iv))	494,000	-
Correction of error-(see note 34.1.(v))	(360,000)	(240,000)
Correction of error-(see note 34.1.(vi))	(68,430)	-
Correction of error-(see note 34.1.(vii))	638,979	-
Total adjustments	754,950	(49,880)
Adjustments per note	-	-
Restated balance		
Restated balance 30 JUNE 2019	11,565,837	239,438,921
		251,004,758

33.03 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	2,735,932
Correction of error-(see note 34.1.(i))	(17,758)
Restated balance 30 June 2019	2,718,174

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
33.04	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Balance previously reported		2,101,064	
Correction of error-(see note 34.1.(i))		(34,574)	
Restated balance 30 June 2019		2,066,490	
		=====	
33.05	INTANGIBLE ASSETS		
Balance previously reported		45,280	
Correction of error-(see note 34.1.(ii))		3,441	
Restated balance 30 June 2019		48,721	
		=====	
33.06	PROPERTY, PLANT AND EQUIPMENT		
Balance previously reported		325,508,065	
Correction of error-(see note 34.1.(iii))		57,153	
Correction of error-(see note 34.1.(iii))		54,862	
Correction of error-(see note 34.1.(iii))		177,396	
Restated balance 30 June 2019		325,797,476	
		=====	
33.07	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Balance previously reported		2,101,064	
Correction of error-(see note 34.1.(iv))		494,000	
Restated balance 30 June 2019		2,595,064	
		=====	
33.08	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Balance previously reported		(14,231,073)	
Correction of error-(see note 34.1.(v))		(600,000)	
Restated balance 30 June 2019		(14,831,073)	
		=====	
33.09	EMPLOYEE BENEFITS		
Balance previously reported		(11,126,844)	
Correction of error-(see note 34.1.(vi))		(68,430)	
Restated balance 30 June 2019		(11,195,274)	
		=====	
33.10	PAYABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		(48,668,190)	
Correction of error-(see note 34.1.(vii))		734,826	
Restated balance 30 June 2019		(47,933,364)	
		=====	
33.11	TAXES		
Balance previously reported		2,320,194	
Correction of error-(see note 34.1.(vii))		(95,847)	
Restated balance 30 June 2019		2,224,347	
		=====	

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2020 R	2019 R
Surplus/(Deficit) for the year	9,163,726	11,565,837
Adjustments for:		
Depreciation	13,119,571	13,382,064
Amortisation of Intangible Assets	10,452	27,061
Debt Impairment	21,754,069	8,810,385
Transfer of Fixed Assets to Inventory	-	1,261,000
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	100,997	512,443
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	49,756
Gains/(Loss) on Sale of Fixed Assets	24,934	147,678
Contribution to current employee benefits	348,643	930,636
Contribution from/to employee benefits	(1,413,273)	(440,608)
Contribution to Landfill site	3,023,225	881,980
Contribution to Landfill site - effect of change in estimate	-	(4,813,633)
Operating lease expenditure/income accrued	(3,081)	(14,284)
Operating Surplus/(Deficit) before changes in working capital	46,129,263	32,300,315
Changes in working capital	5,503,819	(4,213,166)
Increase/(Decrease) in Payables for Exchange Transactions	12,187,108	2,597,870
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	12,562,133	1,705,209
Increase/(Decrease) in Taxes	5,239,090	2,481,698
(Increase)/Decrease in Inventory	(876,262)	(1,897,524)
(Increase)/Decrease in Trade and other receivables	(23,608,250)	(9,100,419)
Cash generated/(absorbed) by operations	51,633,082	28,087,149

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 18	37,862,287	8,386,533
Cash Floats - Note 18	4,500	4,500
Bank - Note 18	4,620,746	3,240,201
Total cash and cash equivalents	42,487,533	11,631,234

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RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 35	42,487,533	11,631,234
Less:		
Unspent Committed Conditional Grants - Note 9	42,487,533	11,631,234
Consumer deposits	(28,414,040)	(15,795,279)
Resources available /(deficit) for other and working capital requirements	(27,393,206)	(14,831,073)
	(1,020,834)	(964,206)
	14,073,493	(4,164,045)

37

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	1,445,145	1,940,657
Used to finance property, plant and equipment - at cost	(1,445,145)	(1,940,657)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

38	BUDGET COMPARISONS	2020		2019		
		R	(Actual)	R	(Budget)	R
38.1	Operational					
	Revenue by source					
	Property Rates	16,753,467	17,116,990	(363,523)		-2.1%
	Government Grants and Subsidies-Operational	39,943,362	39,652,160	291,202		0.7%
	Government Grants and Subsidies-Capital	21,729,570	23,448,200	(1,718,630)		-7.3%
	Public Contributions and Donations	-	-	-		0.0%
	Contributed Property, Plant and Equipment	-	-	-		0.0%
	Actuarial Gains	-	-	-		0.0%
	Service Charges	85,959,382	90,424,900	(4,465,518)		-4.9%
	Rental from Fixed Assets	528,462	880,700	(352,238)		-40.0%
	Fines, Penalties and Forfeits	6,637,278	7,369,600	(732,322)		-9.9%
	Interest Earned - external investments	1,013,609	777,820	235,789		30.3%
	Interest Earned - outstanding receivables	20,474	4,212,450	(4,191,976)		-99.5%
	Interest Earned - non exchange transactions	3,209,287	1,409,070	1,800,217		127.8%
	Licences and Permits	164,345	197,880	(33,535)		-16.9%
	Operational Revenue	17,037	5,000	12,037		240.7%
	Agency and Collection Services	957,945	1,121,090	(163,145)		-14.6%
	Sales of Goods and Rendering of Services	1,329,789	1,410,080	(80,291)		-5.7%
		178,264,008	188,025,940	(9,761,932)		-5.2%
	Expenditure by nature					
	Employee Related Costs	58,319,943	55,171,654	3,148,289		-5.7%
	Remuneration of Councillors	3,417,034	3,408,010	9,024		-0.3%
	Depreciation and Amortisation	13,130,023	11,983,820	1,146,203		-9.6%
	Bad Debts Written -off	4,905,419	11,583,671	(6,678,252)		57.7%
	Inventory Consumed	1,999,644	3,148,786	(1,149,142)		36.5%
	Finance Costs	5,266,961	610,271	4,656,690		-763.1%
	Bulk Purchases	40,766,711	39,670,000	1,096,711		-2.8%
	Operational Costs	7,038,548	12,153,841	(5,115,293)		42.1%
	Operating Leases	483,302	521,000	(37,698)		7.2%
	Contracted Services	11,796,456	15,507,142	(3,710,686)		23.9%
	Transfers and Subsidies	96,240	2,966,000	(2,869,760)		96.8%
	Total Expenditure	147,220,279	156,724,195	(9,503,916)		6.1%
	Operating Surplus	31,043,729	31,301,745	(258,016)		
	Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-		0.0%
	Impairment Loss/(Reversal of Impairment Loss) on Receivables	(21,754,069)	7	(21,754,076)		-310772517.3%
	(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(100,997)	-	(100,997)		100.0%
	Gains/(Loss) on Sale of Fixed Assets	(24,934)	2	(24,936)		-1246793.5%
	NET SURPLUS/(DEFICIT) FOR THE YEAR	9,163,729	31,301,754	(22,138,025)		-70.7%
38.2	Expenditure by Vote					
	COMMUNITY SERVICES	1,649,453	2,889,980	(1,240,527)		-42.9%
	CORPORATE SERVICES	29,153,581	29,643,013	(489,432)		-1.7%
	EXECUTIVE COUNCIL	15,082,869	16,143,081	(1,060,212)		-6.6%
	FINANCIAL SERVICES	25,450,870	30,161,722	(4,710,852)		-15.6%
	TECHNICAL SERVICES	97,763,506	85,847,333	11,916,173		13.9%
		169,100,279	164,685,129	4,415,150		2.7%
38.3	Capital expenditure by vote					
	COMMUNITY SERVICES	3,220,395	4,144,589	(924,194)		-22%
	CORPORATE SERVICES	-	-	-		0%
	EXECUTIVE COUNCIL	869	-	869		100%
	FINANCIAL SERVICES	471,627	950,000	(478,373)		-50%
	TECHNICAL SERVICES	13,919,558	20,024,611	(6,105,053)		-30%
		17,612,449	25,119,200	(7,506,751)		-30%

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	95,849,449	91,726,429
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	11,916,173	4,123,020
Written off by council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>107,765,622</u>	<u>95,849,449</u>

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes-operating 2015/16</i>	None
<i>Over expenditure on votes-operating 2016/17</i>	None
<i>Over expenditure on votes-operating (Note 39.3)</i>	None
<i>Over expenditure on votes-capital (Note 39.3)</i>	None
<i>Virements not authorised</i>	None

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	7,416,867	5,846,348
Fruitless and wasteful expenditure current year	2,027,907	1,570,519
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>9,444,773</u>	<u>7,416,867</u>

Incident	Disciplinary steps/criminal proceedings
<i>Interest and penalties on late and non payments</i>	

2020	2019
R	R

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
39.3	<u>Irregular expenditure</u>		
	Reconciliation of irregular expenditure:		
	Opening balance	142,500,900	130,053,803
	Correction of previous years	-	12,447,097
	Irregular expenditure current year	-	-
	Investigated and written off by Council	-	-
	Transfer to receivables for recovery	-	-
	Irregular expenditure awaiting further action	142,500,900	142,500,900
	Irregular expenditure awaiting condonement from National Treasury	-	-
		-	-
	Incident	Disciplinary steps/criminal proceedings	
	<i>SCM procedures not followed</i>	<i>To be investigated</i>	1,637,894
	<i>Non-compliance with the Preferential Procurement Regulations (Regulation 8)</i>	<i>To be investigated</i>	31,910
	<i>Non-Compliance with Section 62(1)(b) of the Municipal Finance Management Act</i>	<i>To be investigated</i>	88,242
	<i>Non-compliance with Municipal SCM Regulation 32</i>	<i>To be investigated</i>	5,336,055
	<i>Due process not followed when 3 quotations were not obtained</i>	<i>To be investigated</i>	1,964,279
	<i>Non-Compliance with MSA 57A(3)</i>	<i>To be investigated</i>	1,240,505
	<i>Regulation 41(3) of the MFMA - Appointment of SMs</i>	<i>To be investigated</i>	439,021
	<i>Non-compliance with SCM regulation 13(c) No declaration of interest</i>	<i>To be investigated</i>	347,707
	<i>Non-compliance with the Government Gazette upper limits</i>	<i>To be investigated</i>	42,151
	<i>Open ended contracts</i>	<i>To be investigated</i>	1,045,346
	<i>Quotes above R30 000 not evaluated in terms of the PPPFA</i>	<i>To be investigated</i>	273,987
	<i>SCM procedures not followed</i>	<i>Forensic investigation</i>	-
	Irregular expenditure include incidents that are subject to ongoing forensic investigations	-	12,447,097
		-	-
39.4	<u>Material Losses</u>		
	Water distribution losses		
	- Kilo litres lost during distribution	673,537	888,177
	- Percentage lost during distribution	33.85%	41.98%
	Monetary Value	5,996,826	5,071,490
	Electricity distribution losses		
	- Units lost during distribution (Kwh)	3,118,783	3,403,198
	- Percentage lost during distribution	8.82%	9.50%
	Monetary Value	3,367,579	4,086,834
	Losses in Property Rates Revenue		
	The last valuation roll came into affect on 1 July 2013. According to Section 32(1)(b) of the Municipal Property Rates Act No.6 of 2004, a valuation is valid for 4 years only. The municipality did not perform an updated valuation and therefore have possibly lost out on revenue from property rates. A monetary value could not be placed on the possible loss due to the complexities with valuing fixed property.	-	-
40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	3,442,906	2,896,950
	Council subscriptions	-	627,425
	Amount paid - current year	-	-
	Amount paid - previous years	-	(81,469)
	Balance unpaid (in dispute)	3,442,906	3,442,906
40.2	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	5,289,680	6,487,363
	Current year audit fee	2,179,076	4,602,188
	Write off	-	(4,975,937)
	Interest charge	667,757	79,345
	Amount paid - current year	-	-
	Amount paid - previous year	-	(903,279)
	Balance unpaid (included in creditors)	8,136,513	5,289,680

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
40.3	<u>VAT - [MFMA 125 (1)(c)]</u>		
	VAT balance at year end - Refer to note 10	(3,014,743)	2,224,347
	Closing balance - Receivable	(3,014,743)	2,224,347
<p>VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.</p>			
40.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Opening balance	1,028,302	1,377,827
	Current year payroll deductions and Council Contributions	10,135,661	9,312,648
	Penalties	-	110,015
	Amount paid - current year	(10,239,230)	(9,106,873)
	Amount paid - previous year	(554,509)	(665,315)
	Balance unpaid (included in creditors)	370,224	1,028,302
40.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Opening balance	1,559,913	752,721
	Current year payroll deductions and Council Contributions	12,405,085	9,386,252
	Amount paid - current year	(12,355,252)	(8,579,060)
	Balance unpaid (included in creditors)	1,609,746	1,559,913
40.6	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	No Councillors had arrear accounts for more than 90 days as 30 June 2020		
40.7	<u>Deviations from Supply Chain Management Regulations</u>		
	30 JUNE 2020:		
		>R30000	
	Non-compliance summary	<R30000	<R200000
	Department:		
	ADMINISTRATION	2,660	297,579
	COMMUNITY SERVICES	51,736	57,567
	CORPORATE SERVICES	-	-
	EXECUTIVE COUNCIL	-	376,582
	FINANCIAL SERVICES	12,642	592,906
	TECHNICAL SERVICES	119,875	290,011
	Total	186,913	1,614,645
		1,932,596	3,734,154
	30 JUNE 2019		
		>R30000	
	Non-compliance summary	<R30000	<R200000
	Department:		
	COMMUNITY SERVICES	3,300	61,295
	CORPORATE SERVICES	25,272	-
	EXECUTIVE COUNCIL	-	-
	FINANCIAL SERVICES	7,860	137,900
	TECHNICAL SERVICES	68,497	280,037
	Total	104,929	2,244,570
		2,244,570	2,828,731
<p>Reasons for deviations</p>			
Supplier	Department	Reason	
Alert Patrol	Corporate Services	Section 36(1)(a)(v) *	4,999
Arthurs Worksop & Towing	Community Services	Section 36(1)(a)(v) *	3,300
Arthurs Worksop & Towing	Financial Services	Section 36(1)(a)(v) *	47,500
Arthurs Worksop & Towing	Financial Services	Section 36(1)(a)(v) *	47,500
BCHC Attorneys	Municipal Manager	Section 36(1)(a)(v) *	300,346
BFT Communications	Community Services	Section 36(1)(a)(v) *	2,197
BFT Communications	Community Services	Section 36(1)(a)(v) *	3,500
BFT Communications	Community Services	Section 36(1)(a)(v) *	2,896
BFT Communications	Technical Services	Section 36(1)(a)(v) *	8,550
CAB Holdings	Financial Services	Section 36(1)(a)(v) *	34,447
Caroline 36 CC t/a Hi Way Bande	Technical Services	Emergency	15,734
<p>* Continued</p>			

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Supplier	Department	Reason	2020 R	2019 R
Caroline 36 CC t/a Hi Way Bande	Technical Services	Section 36(1)(a)(v) *	2,070	
Caroline 36 CC t/a Hi Way Bande	Technical Services	Section 36(1)(a)(v) *	54,683	
CBL	Corporate Services	Section 36(1)(a)(v) *	15,773	
Cinogen Trading CC	Community Services	Section 36(1)(a)(v) *	33,120	
Cinogen Trading CC	Community Services	Section 36(1)(a)(v) *	28,175	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	54,683	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	11,995	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	11,995	
Coastal Armature Winders & Supplies	Technical Services	Section 36(1)(a)(v) *	49,358	
De Wit Begrafnisdienste	Corporate Services	Section 36(1)(a)(v) *		4,500
DPI Trading	Technical Services	Section 36(1)(a)(v) *	29,969	
Finovo Finance CC	Financial Services	Emergency	813,043	
Finovo Finance CC	Financial Services	Emergency	391,304	
Finovo Finance CC	Financial Services	Emergency	203,902	
Flink Cash Store	Municipal Manager	Emergency	134,678	
HVE Solutions	Technical Services	Emergency	20,579	
HVE Solutions	Technical Services	Emergency	30,789	
ISM	Financial Services	Section 36(1)(a)(v) *		25,236
Jojo For Water For Life	Technical Services	Section 36(1)(a)(v) *	77,625	
Kiddys Kingdom	Technical Services	Section 36(1)(a)(v) *	4,100	
Klein Karoo Kooperasie	Technical Services	Section 36(1)(a)(v) *	1,108	
Klein Karoo Kooperasie	Technical Services	Section 36(1)(a)(v) *	1,596	
Klein Karoo Kooperasie	Technical Services	Section 36(1)(a)(v) *	10,139	
Lammie Se Slaghuis	Community Services	Section 36(1)(a)(v) *	1,980	
Lammie Se Slaghuis	Community Services	Section 36(1)(a)(v) *	26,282	
Liesel Scholtz Inc	Council	Section 36(1)(a)(v) *	93,335	
Lionel Mark Trichardt	Administration	Section 36(1)(a)(v) *	158,659	
Lucrumsoft	Financial Services	Emergency	38,640	
Lucrumsoft	Financial Services	Emergency	157,999	
Lucrumsoft	Financial Services	Emergency	38,640	
Lucrumsoft	Financial Services	Emergency	38,640	
Lucrumsoft	Financial Services	Emergency	38,640	
MDL Electrical	Technical Services	Section 36(1)(a)(v) *	54,050	
Media 24	Community Services	Section 36(1)(a)(v) *	14,881	
Media 24 Beperk	Financial Services	Section 36(1)(a)(v) *		17,664
Metsi Chem iKapa	Technical Services	Section 36(1)(a)(v) *		25,116
Riversdal Electric And General	Technical Services	Section 36(1)(a)(v) *		67,436
Riversdal Electric And General	Technical Services	Section 36(1)(a)(v) *		67,436
SA Post Office	Administration	Section 36(1)(a)(v) *	2,660	
SA Post Office	Financial Services	Section 36(1)(a)(v) *		2,460
SA Post Office	Financial Services	Section 36(1)(a)(v) *		2,460
SA Post Office	Financial Services	Section 36(1)(a)(v) *		2,940
SA Post Office	Financial Services	Section 36(1)(a)(v) *	38,243	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	39,799	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	41,322	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	40,782	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	40,782	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	4,704	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	44,972	
SA Post Office	Financial Services	Section 36(1)(a)(v) *	7,938	
Sanitech	Community Services	Section 36(1)(a)(v) *	57,567	
Sanitech	Municipal Manager	Emergency	57,569	
Sanitech	Technical Services	Section 36(1)(a)(v) *	78,189	
Spar Calitzdorp	Municipal Manager	Emergency	91,000	
The Blue Room Agency	Technical Services	Emergency	6,800	
The Blue Room Agency	Technical Services	Emergency	21,300	
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *		13,872
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *		3,450
Ultra Water CC	Technical Services	Section 36(1)(a)(v) *		2,244,570
UTD HR Consulting	Administration	Section 36(1)(a)(v) *	138,920	
VE Reticulation Company	Technical Services	Section 36(1)(a)(v) *		35,800
Wholesale and Haper Ltd / Saverslane	Municipal Manager	Emergency	224,000	
			3,734,154	2,828,731

* Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes

40.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

Company	Name	Relation
None		

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2020	2019
R	R

40.9 Other non-compliance (MFMA 125(2)(e))

Creditors payments were not made within 30 days as required by the MFMA.

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Total commitments consist out of the following:

Bloekomlaan Reservoir
Van Wykisdorp Street Lighting
Calitzdorp Investigation into availability of water

	<u>Contract/Tender</u>	2020	2019
Bloekomlaan Reservoir	Aurecon & Asla	6,812,287	3,319,680
Van Wykisdorp Street Lighting	VE Reticulation & Aurecon	404,279	1,114,509
Calitzdorp Investigation into availability of water	Aurecon	560,943	166,293
		7,777,509	4,600,482

This expenditure will be financed from:

External Loans
Government Grants

External Loans	7,777,509	4,600,482
	7,777,509	4,600,482

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FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(100,864)	(298,142)
0.5% Decrease in interest rates	50,432	149,071

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
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(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 and 16 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2020 %	2020 R	2019 %	2019 R
<u>Non-Exchange Receivables</u>				
Rates	3.11%	725,441	1.26%	253,339
Traffic Fines	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	19.21%	498,810	6.51%	133,018
Water	2.19%	496,575	0.50%	70,326
Refuse	0.00%	-	0.00%	-
Sewerage	1.32%	203,660	1.40%	158,674
Other	0.00%	-	1.18%	10,988
	2.04%	1,199,045	0.93%	373,005

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2020 %	2020 R	2019 %	2019 R
<u>Non-Exchange Receivables</u>				
Rates	76.46%	23,317,572	77.47%	20,049,603
Traffic Fines	23.54%	7,178,965	22.53%	5,831,293
	100.00%	30,496,537	100.00%	25,880,896
<u>Exchange Receivables</u>				
Electricity	4.42%	2,596,528	5.08%	2,044,095
Water	38.60%	22,674,600	34.79%	14,005,437
Refuse	27.85%	16,359,122	29.68%	11,950,774
Sewerage	26.24%	15,414,111	28.14%	11,328,247
Other	2.90%	1,702,681	2.32%	932,389
	100.00%	58,747,041	100.00%	40,260,941

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 %	2020 R	2019 %	2019 R
Bad debts written off per debtor class:				
Non-Exchange Receivables				
Rates	0.10%	3,421	0.00%	-
Traffic Fines	99.90%	3,589,174	100.00%	5,659,927
	100.00%	3,592,595	100.00%	5,659,927
Exchange Receivables				
Electricity	0.00%	-	0.31%	23,803
Water	0.00%	-	60.29%	4,674,996
Refuse	0.00%	-	20.46%	1,586,712
Sewerage	0.00%	-	18.94%	1,468,242
Other	100.00%	73,317	0.00%	-
	100.00%	73,317	100.00%	7,753,753

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Receivables from exchange transactions	4,008,412	2,718,174
Receivables from non-exchange transactions	3,124,433	2,560,490
Cash and Cash Equivalents	42,487,533	11,631,234
	49,620,378	16,909,898

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

KANNALAND MUNICIPALITY
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020	2019
			R	R
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2020				
Long Term liabilities - Annuity Loans	720,000	960,000	-	-
Capital repayments	572,399	863,466	-	-
Interest	147,601	96,534	-	-
Long Term liabilities - Finance Leases	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Provisions - Landfill Sites	-	6,609,120	50,377,155	-
Capital repayments	-	5,268,750	25,113,400	-
Interest	-	1,340,370	25,263,755	-
Trade and Other Payables	49,353,167	-	-	-
Unspent conditional government grants and receipts	27,393,206	-	-	-
	<u>77,466,373</u>	<u>7,569,120</u>	<u>50,377,155</u>	<u>-</u>
2019				
Long Term liabilities - Annuity Loans	720,000	1,659,654	-	-
Capital repayments	505,557	1,435,100	-	-
Interest	214,443	224,554	-	-
Long Term liabilities - Finance Lease Liability	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Provisions - Landfill Sites	-	6,154,204	50,436,552	-
Capital repayments	-	4,906,094	22,383,156	-
Interest	-	1,248,110	28,053,396	-
Trade and Other Payables	35,180,776	-	-	-
Unspent conditional government grants and receipts	14,831,073	-	-	-
	<u>50,731,849</u>	<u>7,813,858</u>	<u>50,436,552</u>	<u>-</u>

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FINANCIAL INSTRUMENTS

2020
R

2019
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

43.1	<u>Financial Assets</u>	<u>Classification</u>		
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	4,008,412	2,718,174
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	37,862,287	8,386,533
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	4,620,746	3,240,201
	Cash Floats and Advances	Financial instruments at amortised cost	4,500	4,500
			<u>46,495,945</u>	<u>14,349,408</u>
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		46,495,945	14,349,408
	At amortised cost		<u>46,495,945</u>	<u>14,349,408</u>

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
43.2	<u>Financial Liability</u>		
	Classification		
	Long-term Liabilities		
Annuity Loans	Financial instruments at amortised cost	872,126	1,435,100
Capitalised Lease Liability	Financial instruments at amortised cost	-	-
	Payables from exchange transactions		
Trade creditors	Financial instruments at amortised cost	49,353,167	35,180,776
Accrued interest	Financial instruments at amortised cost	-	-
Retentions	Financial instruments at amortised cost	2,652,343	2,652,343
Deposits	Financial instruments at amortised cost	1,020,834	964,206
Other	Financial instruments at amortised cost	5,235,325	8,210,461
	Current Portion of Long-term Liabilities		
Annuity Loans	Financial instruments at amortised cost	573,019	505,557
Capitalised Lease Liability	Financial instruments at amortised cost	-	-
		<u>59,706,814</u>	<u>48,948,443</u>
	SUMMARY OF FINANCIAL LIABILITY		
Financial instruments at amortised cost		<u>59,706,814</u>	<u>48,948,443</u>
44	STATUTORY RECEIVABLES		
	In accordance with principles of GRAP 108, Statutory Receivables of the municipality are classified as follows;		
	Taxes		
Vat receivable		-	2,224,347
	Receivables from Non Exchange Transactions		
Property rates		1,578,180	1,094,012
Fines		-	-
45	EVENTS AFTER THE REPORTING DATE		
None			
46	IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any in-kind donations or assistance during the year under review.			
47	PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.			
48	CONTINGENT LIABILITIES		
The Municipality did not identify any possible contingent liabilities.			
49	RELATED PARTIES		
49.1	Related Party Loans		
None			
49.2	Compensation of key management personnel		
The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.			
49.3	Compensation of Councillors		
The compensation of Councillors is set out in note 23 to the Annual Financial Statements.			

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020	2019
R	R

49.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

See note 40.8

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

	2020	2020
Councillors	Services and rates	Outstanding Balance
A Theron	14,899	3,981
HD Ruiters	22,119	1,065
M Barry	11,445	1,768
PJ Antonie	11,144	841
J Donson	11,877	1,863
HM Johnson	1	1
	71,485	9,519

50 ADDITIONAL DISCLOSURE

50.1 Provincial intervention

In terms of Section 139 of the Municipal Finance Management Act nr. 56 of 2003, a mandatory provincial intervention has taken place to prepare an appropriate recovery plan for the municipality.

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2019	Correction of error	Restated balance at 30 JUNE 2019	Additions	Redeemed written off during the period	Balance at 30 JUNE 2020
ANNUITY LOAN DBSA	12.50%	61000778	30/04/2023	1,940,658	-	1,940,658	-	504,791	1,435,867
Total Annuity Loan				1,940,658	-	1,940,658	-	504,791	1,435,867
TOTAL EXTERNAL LOANS				1,940,658	-	1,940,658	-	504,791	1,435,867

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

APPENDIX B - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Budgeted Income	2020 Actual Income R	2020 Budgeted Expenditure	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
376,070	(13,076,196)	(12,700,126)	ADMIN SERVICES	474,030	265,833	(11,918,430)	(14,134,587)	(13,868,754)
6,144,882	(325,073)	5,819,809	CEMETERY	9,757,450	7,533,492	(333,210)	(376,725)	7,156,767
11,884,273	(24,913,950)	(13,029,677)	CFO	9,676,170	11,098,548	(28,527,880)	(25,156,153)	(14,057,605)
1,379,131	(1,813,783)	(434,652)	COMMUNITY SERVICES	2,552,990	2,107,765	(2,889,980)	(1,649,453)	458,312
25,441,095	(8,289,989)	17,151,106	COUNCIL'S GENERAL EXPENSE	9,511,210	29,032,738	(9,627,296)	(8,788,660)	20,244,078
45,105,273	(43,457,869)	1,647,404	ELECTRICITY	66,270,340	52,795,251	(49,066,941)	(49,490,287)	3,304,964
789,522	(2,039,855)	(1,250,333)	HOUSING	380,000	-	(3,467,415)	(800,838)	(800,838)
2,047,833	(2,210,123)	(162,290)	LIBRARY	3,550,980	2,626,423	(2,899,480)	(2,482,032)	144,391
7,021,990	(8,581,695)	(1,559,705)	LICENSING & TRAFFIC	7,097,390	7,620,400	(8,759,285)	(9,049,791)	(1,429,391)
-	(2,307,306)	(2,307,306)	MUNICIPAL BUILDINGS	2,000	927	(1,648,613)	(1,922,789)	(1,921,862)
29	(5,347,476)	(5,347,447)	MUNICIPAL MANAGER	45,045	-	(6,515,785)	(6,294,209)	(6,294,209)
-	(406,793)	(406,793)	PARKS & RECREATION	-	-	(604,530)	(380,042)	(380,042)
13,851	-	13,851	POSTAL AGENCY	-	16,246	-	-	16,246
16,271,389	519,921	16,791,310	PROPERTY RATES	20,803,760	16,753,467	(1,633,842)	(294,717)	16,458,750
5,033,732	(9,054,115)	(4,020,383)	PUBLIC WORKS : STREETS	1,697,550	1,142,848	(10,985,260)	(8,250,408)	(7,107,559)
6,720,785	(2,466,022)	4,254,763	SANITATION/REFUSE	14,016,110	6,742,591	(5,980,037)	(12,537,739)	(5,795,148)
7,093,443	(9,532,115)	(2,438,672)	SEWERAGE	13,767,590	7,008,237	(7,120,801)	(9,795,517)	(2,787,280)
-	(117,176)	(117,176)	SWIMMING POOLS	-	-	(12,050)	(6,777)	(6,777)
22,910,253	(13,248,101)	9,662,152	WATER	43,724,995	33,519,244	(12,694,294)	(17,689,556)	15,829,687
158,233,551	(146,667,716)	11,565,835	TOTAL	203,327,610	178,264,008	(164,685,129)	(169,100,279)	9,163,729

KANNALAND MUNICIPALITY
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

APPENDIX C - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL MAIN VOTES

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Budgeted Income	2020 Actual Income R	2020 Budgeted Expenditure	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
1,379,131	(1,813,783)	(434,652)	COMMUNITY SERVICES	2,552,990	2,107,765	(2,889,980)	(1,649,453)	458,312
16,380,296	(29,064,216)	(12,683,920)	CORPORATE SERVICES	21,261,850	18,047,075	(29,643,013)	(29,153,581)	(11,106,506)
25,441,125	(13,637,465)	11,803,660	EXECUTIVE COUNCIL	9,556,255	29,032,738	(16,143,081)	(15,082,869)	13,949,869
28,169,512	(24,394,029)	3,775,483	FINANCIAL SERVICES	30,479,930	27,868,260	(30,161,722)	(25,450,870)	2,417,390
86,863,486	(77,758,221)	9,105,265	TECHNICAL SERVICES	139,476,585	101,208,170	(85,847,333)	(97,763,506)	3,444,664
158,233,550	(146,667,714)	11,565,836	Total	203,327,610	178,264,008	(164,685,129)	(169,100,279)	9,163,729

KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

APPENDIX D - Unaudited
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance	Correction of	Restated	Repaid to	Grants	Written	Operating	Capital	Balance
	1 JULY 2019	error	1 JULY 2019	National	Received	Off	Expenditure	Expenditure	30 JUNE 2020
	R	R	R	R	R	R	R	R	R

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS

National Government Grants

EPWP	-	-	-	-	1,184,000	-	(1,142,848)	-	41,152
Equitable Share	-	-	-	-	28,147,000	-	(28,147,000)	-	-
Financial Assistance Grant - Audit Fees	-	-	-	-	-	-	-	-	-
Integrated National Electrification Grant	(472,953)	-	(472,953)	-	2,901,000	-	-	(202,000)	2,226,047
Local Government Financial Management Grant	147,274	-	147,274	-	2,215,000	-	(1,960,338)	-	401,936
Municipal Infrastructure Grant	35,001	-	35,001	-	10,271,000	-	(708,891)	(6,800,131)	2,796,979
Water Services Infrastructure Grant	2,974,585	-	2,974,585	-	10,000,000	-	-	(7,533,992)	5,440,593
Zoar Streets	180,453	-	180,453	-	-	-	-	-	180,453
Total National Government Grants	2,864,360	-	2,864,360	-	54,718,000	-	(31,959,077)	(14,536,123)	11,087,160

Provincial Government Grants

CDW Grant	60,111	-	60,111	-	222,000	-	-	-	282,111
CFO Appointment	6,018	-	6,018	-	-	-	-	-	6,018
COVID 19 Grant Relief (Western Cape)	-	-	-	-	748,000	-	(708,652)	-	39,348
Deeds Registration	1,030,000	-	1,030,000	-	-	-	-	-	1,030,000
Disaster - Zoar	522,298	-	522,298	-	-	-	-	-	522,298
Drought Relief	35,194	-	35,194	-	7,991,000	-	-	(6,363,447)	1,662,747
DWAF -RBIG	319,438	-	319,438	-	-	-	-	-	319,438
Fire and Drought Relief	85,805	-	85,805	-	-	-	-	-	85,805
Flood Damage	447,890	-	447,890	-	-	-	-	-	447,890
Human Settlement Development Grant	1,009,921	-	1,009,921	-	-	-	-	-	1,009,921
Bursary Grant	-	600,000	600,000	-	380,000	-	-	-	980,000
IDC	1,650,000	-	1,650,000	-	-	-	-	-	1,650,000
IDP	175,439	-	175,439	-	-	-	-	-	175,439
Library Conditional Grant	464,210	-	464,210	-	650,000	-	-	-	1,114,210
Local Government Financial Support Grant	1,540,000	-	1,540,000	-	-	-	-	-	1,540,000
Local Government Financial Support Grant	350,000	-	350,000	-	-	-	-	-	350,000
MRF	-	-	-	-	2,897,980	-	(2,623,645)	-	274,335
Municipal Disaster Grant	-	-	-	-	830,000	-	-	(830,000)	-
Nissanville Paving	100,238	-	100,238	-	-	-	-	-	100,238
Revenue Enhancement	2,393	-	2,393	-	-	-	-	-	2,393
SDBIP	238,657	-	238,657	-	-	-	-	-	238,657
Taxi Ranks	306,463	-	306,463	-	-	-	-	-	306,463
Thusong Municipal Service Delivery Capacity Building Grant	175,160	-	175,160	-	-	-	-	-	175,160
Upgrading Pumpstation	51,011	-	51,011	-	-	-	-	-	51,011
Upgrading Sports Facilities Calitzdorp	250,000	-	250,000	-	-	-	-	-	250,000
Van Wyksdorp Pit Latrines	167,299	-	167,299	-	-	-	-	-	167,299
WC Financial Management Support Grant - Capacity Building	150,000	-	150,000	-	470,000	-	(138,920)	-	481,080
WC Financial Management Support Grant - General	(241,383)	-	(241,383)	-	4,821,000	-	(4,005,983)	-	573,634
WC Financial Management Support Grant - mScoa	-	-	-	-	330,000	-	(330,000)	-	-
Total Provincial Government Grants	8,896,162	600,000	9,496,162	-	19,339,980	-	(7,807,200)	(7,193,447)	13,835,495

Other Grant Providers

Disaster Fund	2,342,433	-	2,342,433	-	-	-	-	-	2,342,433
Ladismith Water Project	128,118	-	128,118	-	-	-	-	-	128,118
SETA	-	-	-	-	177,086	-	(177,086)	-	-
Total Other Grant Providers	2,470,551	-	2,470,551	-	177,086	-	(177,086)	-	2,470,551

Total	14,231,073	600,000	14,831,073	-	74,235,066	-	(39,943,363)	(21,729,570)	27,393,206
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